



House of Representatives

General Assembly

File No. 504

February Session, 2014

Substitute House Bill No. 5546

House of Representatives, April 10, 2014

The Committee on Finance, Revenue and Bonding reported through REP. WIDLITZ of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT IMPLEMENTING CERTAIN RECOMMENDATIONS OF THE AUDITORS OF PUBLIC ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 12-15 of the 2014 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2014*):

4 (b) The commissioner may disclose (1) returns or return information
5 to (A) an authorized representative of another state agency or office,
6 upon written request by the head of such agency or office, when
7 required in the course of duty or when there is reasonable cause to
8 believe that any state law is being violated, or (B) an authorized
9 representative of an agency or office of the United States, upon written
10 request by the head of such agency or office, when required in the
11 course of duty or when there is reasonable cause to believe that any
12 federal law is being violated, provided no such agency or office shall
13 disclose such returns or return information, other than in a judicial or

14 administrative proceeding to which such agency or office is a party
15 pertaining to the enforcement of state or federal law, as the case may
16 be, in a form which can be associated with, or otherwise identify,
17 directly or indirectly, a particular taxpayer except that the names and
18 addresses of jurors or potential jurors and the fact that the names were
19 derived from the list of taxpayers pursuant to chapter 884 may be
20 disclosed by the Judicial Branch; (2) returns or return information to
21 the Auditors of Public Accounts, when required in the course of duty
22 under chapter 23; (3) returns or return information to tax officers of
23 another state or of a Canadian province or of a political subdivision of
24 such other state or province or of the District of Columbia or to any
25 officer of the United States Treasury Department or the United States
26 Department of Health and Human Services, authorized for such
27 purpose in accordance with an agreement between this state and such
28 other state, province, political subdivision, the District of Columbia or
29 department, respectively, when required in the administration of taxes
30 imposed under the laws of such other state, province, political
31 subdivision, the District of Columbia or the United States, respectively,
32 and when a reciprocal arrangement exists; (4) returns or return
33 information in any action, case or proceeding in any court of
34 competent jurisdiction, when the commissioner or any other state
35 department or agency is a party, and when such information is directly
36 involved in such action, case or proceeding; (5) returns or return
37 information to a taxpayer or its authorized representative, upon
38 written request for a return filed by or return information on such
39 taxpayer; (6) returns or return information to a successor, receiver,
40 trustee, executor, administrator, assignee, guardian or guarantor of a
41 taxpayer, when such person establishes, to the satisfaction of the
42 commissioner, that such person has a material interest which will be
43 affected by information contained in such returns or return
44 information; (7) information to the assessor or an authorized
45 representative of the chief executive officer of a Connecticut
46 municipality, when the information disclosed is limited to (A) a list of
47 real or personal property that is or may be subject to property taxes in
48 such municipality, or (B) a list containing the name of each person who

49 is issued any license, permit or certificate which is required, under the
50 provisions of this title, to be conspicuously displayed and whose
51 address is in such municipality; (8) real estate conveyance tax return
52 information or controlling interest transfer tax return information to
53 the town clerk or an authorized representative of the chief executive
54 officer of a Connecticut municipality to which the information relates;
55 (9) estate tax returns and estate tax return information to the Probate
56 Court Administrator or to the court of probate for the district within
57 which a decedent resided at the date of the decedent's death, or within
58 which the commissioner contends that a decedent resided at the date
59 of the decedent's death or, if a decedent died a nonresident of this
60 state, in the court of probate for the district within which real estate or
61 tangible personal property of the decedent is situated, or within which
62 the commissioner contends that real estate or tangible personal
63 property of the decedent is situated; (10) returns or return information
64 to the (A) Secretary of the Office of Policy and Management for
65 purposes of subsection (b) of section 12-7a, and (B) Office of Fiscal
66 Analysis for purposes of, and subject to the provisions of, subdivision
67 (2) of subsection (f) of section 12-7b; (11) return information to the Jury
68 Administrator, when the information disclosed is limited to the names,
69 addresses, federal Social Security numbers and dates of birth, if
70 available, of residents of this state, as defined in subdivision (1) of
71 subsection (a) of section 12-701; (12) pursuant to regulations adopted
72 by the commissioner, returns or return information to any person to
73 the extent necessary in connection with the processing, storage,
74 transmission or reproduction of such returns or return information,
75 and the programming, maintenance, repair, testing or procurement of
76 equipment, or the providing of other services, for purposes of tax
77 administration; (13) without written request and unless the
78 commissioner determines that disclosure would identify a confidential
79 informant or seriously impair a civil or criminal tax investigation,
80 returns and return information which may constitute evidence of a
81 violation of any civil or criminal law of this state or the United States to
82 the extent necessary to apprise the head of such agency or office
83 charged with the responsibility of enforcing such law, in which event

84 the head of such agency or office may disclose such return information
85 to officers and employees of such agency or office to the extent
86 necessary to enforce such law; (14) names and addresses of operators,
87 as defined in section 12-407, to tourism districts, as defined in section
88 10-397; (15) names of each licensed dealer, as defined in section 12-285,
89 and the location of the premises covered by the dealer's license; (16) to
90 a tobacco product manufacturer that places funds into escrow
91 pursuant to the provisions of subsection (a) of section 4-28i, return
92 information of a distributor licensed under the provisions of chapter
93 214 or chapter 214a, provided the information disclosed is limited to
94 information relating to such manufacturer's sales to consumers within
95 this state, whether directly or through a distributor, dealer or similar
96 intermediary or intermediaries, of cigarettes, as defined in section 4-
97 28h, and further provided there is reasonable cause to believe that such
98 manufacturer is not in compliance with section 4-28i; (17) returns,
99 which shall not include a copy of the return filed with the
100 commissioner, or return information for purposes of section 12-217z;
101 (18) returns or return information to the State Elections Enforcement
102 Commission, upon written request by said commission, when
103 necessary to investigate suspected violations of state election laws;
104 [and] (19) returns or return information for purposes of, and subject to
105 the conditions of, subsection (e) of section 5-240; and (20) returns or
106 return information to the Auditors of Public Accounts for purposes of,
107 and subject to the conditions of, sections 2-90 and 4-61dd.

108 Sec. 2. Section 12-742 of the general statutes is amended by adding
109 subsection (c) as follows (*Effective October 1, 2014*):

110 (NEW) (c) (1) In cases where any person or entity is due a refund of
111 state income taxes and that same person has a delinquent patient
112 account at The University of Connecticut Health Center, the president
113 of The University of Connecticut Health Center shall notify the
114 Commissioner of Administrative Services of such delinquent patient
115 account. The Commissioner of Revenue Services, upon notification by
116 the Commissioner of Administrative Services, shall withhold the
117 payment of such refund to such person to the extent of such

118 delinquent patient account, provided the Commissioner of Revenue
119 Services shall notify such person with the delinquent patient account
120 that he or she has the right to a hearing before an officer designated by
121 the Commissioner of Administrative Services if he or she contests the
122 validity or amount of the Commissioner of Administrative Services'
123 claim. If the person with the delinquent patient account fails to apply
124 in writing to the Commissioner of Administrative Services for a
125 hearing within sixty days after the issuance of notice of withholding,
126 the Commissioner of Revenue Services shall remit the amount of the
127 withheld refund to the Commissioner of Administrative Services, who
128 in turn shall remit the amount of such withheld refund to the president
129 of The University of Connecticut Health Center. If the person with the
130 delinquent patient account elects an administrative hearing within
131 such time, the Commissioner of Revenue Services shall remit the
132 amount of the withheld refund in accordance with any decisions of the
133 hearing officer or the court upon an appeal of the hearing officer's
134 decision. If a person with a delinquent patient account at The
135 University of Connecticut Health Center also owes a debt or obligation
136 described in subsection (a) of this section, the refund shall be applied
137 first against the debt or obligation described in subsection (a) of this
138 section before being credited against the delinquent patient account
139 described in this subsection.

140 (2) The Commissioner of Revenue Services, the Commissioner of
141 Administrative Services and the president of The University of
142 Connecticut Health Center shall enter into an agreement for the
143 crediting of income tax refunds against the amount a taxpayer owes
144 pursuant to subdivision (1) of this subsection. The agreement shall
145 include procedures for The University of Connecticut Health Center to
146 (A) notify the Commissioner of Administrative Services of a
147 delinquent patient account and the amount of such delinquency, and
148 (B) reimburse the Department of Administrative Services and the
149 Department of Revenue Services for any costs incurred by the
150 departments in carrying out the provisions of this subsection.

151 Sec. 3. Subsections (b) and (c) of section 32-605 of the general

152 statutes are repealed and the following is substituted in lieu thereof
153 (*Effective October 1, 2014*):

154 (b) [In lieu of the audit required under section 1-122, the] The board
155 of directors of the authority shall annually contract with a person, firm
156 or corporation for a compliance audit of the authority's activities
157 during the preceding authority fiscal year. The audit shall determine
158 whether the authority has complied with its regulations concerning
159 affirmative action, personnel practices, the purchase of goods and
160 services and the use of surplus funds. The board shall submit the audit
161 report to the Governor, the Auditors of Public Accounts and the joint
162 standing committee of the General Assembly having cognizance of
163 matters relating to finance, revenue and bonding.

164 (c) The board of directors of the authority shall annually contract
165 with a firm of certified public accountants to undertake an
166 independent financial audit of the authority in accordance with
167 generally accepted auditing standards. The board shall submit the
168 audit report to the Governor, the Auditors of Public Accounts and the
169 joint standing committee of the General Assembly having cognizance
170 of matters relating to finance, revenue and bonding. [The books and
171 accounts of the authority shall be subject to annual audits by the state
172 Auditors of Public Accounts.]

173 Sec. 4. Subsection (g) of section 32-657 of the general statutes is
174 repealed and the following is substituted in lieu thereof (*Effective*
175 *October 1, 2014*):

176 (g) The Stadium Facility Enterprise Fund, the revenue account, the
177 operating expense account and any other account holding state
178 moneys associated with the stadium facility shall be subject to the
179 provisions of sections 3-112, 3-114, 4-32 and 4-33, except to the extent
180 inconsistent with express provisions of this section, and shall be
181 audited [on a comprehensive annual basis] as provided in section 1-
182 122 by the Auditors of Public Accounts. [Such audits shall be
183 conducted at the sole expense of the Auditors of Public Accounts and
184 with advance notice to the secretary.]

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2014</i>	12-15(b)
Sec. 2	<i>October 1, 2014</i>	12-742
Sec. 3	<i>October 1, 2014</i>	32-605(b) and (c)
Sec. 4	<i>October 1, 2014</i>	32-657(g)

Statement of Legislative Commissioners:

In section 2(c)(1), "not later than sixty days" was changed to "within sixty days" for clarity.

FIN *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Dept. of Administrative Services	GF - Cost	181,612	242,149
State Comptroller - Fringe Benefits ¹	GF - Cost	66,579	88,771

Municipal Impact: None

Explanation

Sections 1, 3 and 4 make procedural changes which have no fiscal impact.

Section 2 allows the University of Connecticut Health Center (UCHC) to recoup bad debts from individuals who are owed state income tax refunds. This does not result in any revenue impact to the state, but will result in additional operating revenue for the John Dempsey Hospital, which is not generally supported by state funding. The extent of this operating revenue is dependent upon the extent to which those who owe for uncompensated care also are due tax refunds, which is not known. For the calendar year 2012, UCHC incurred \$5.6 million in unpaid medical care.

Section 2 also allows the person whose refund has been intercepted a right to request a hearing before an officer the Department of Administrative Services (DAS) designates. It is unclear whether this officer would be a DAS employee or an employee of the University of

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.66% of payroll in FY 15 and FY 16.

Connecticut Health Center (UCHC). If the hearings are held by DAS, DAS would need to hire three Fair Hearing Officers at a cost of \$203,054 (\$148,583 for salary and \$54,471 for fringe benefits) and one Processing Technician at a cost of \$45,137 (\$33,029 for salary and \$12,108 for fringe benefits) in FY 15. If the hearings are held by UCHC, similar resources would be necessary.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**HB 5546*****AN ACT IMPLEMENTING CERTAIN RECOMMENDATIONS OF THE AUDITORS OF PUBLIC ACCOUNTS.*****SUMMARY:**

This bill:

1. requires the state to withhold the state income tax refund of any taxpayer who has a delinquent patient account at the UConn Health Center (UCHC);
2. authorizes the Department of Revenue Services (DRS) commissioner to disclose certain tax information to the Auditors of Public Accounts for purposes of performing their auditing duties and reviewing whistleblower complaints; and
3. requires the state auditors to conduct biennial compliance audits, rather than annual financial audits, of the Capital Region Development Authority (CRDA) and Stadium Enterprise Fund.

EFFECTIVE DATE: October 1, 2014

§ 2 — WITHHOLDING INCOME TAX REFUNDS

The bill requires the UCHC president to notify the Department of Administrative Services (DAS) commissioner when a person or entity has a delinquent patient account. When notified of the delinquency by the DAS commissioner, the DRS commissioner must withhold the taxpayer's state income tax refund up to the delinquency amount.

The DRS commissioner must notify the taxpayer that he or she has a right to a hearing before an officer the DAS commissioner designates if he or she contests the claim's validity or amount. Unless the person asks for a hearing within 60 days after the DRS commissioner issues

the withholding notice, the DRS commissioner must send the withheld money to the DAS commissioner who must, in turn, send it to UCHC. If the taxpayer requests a hearing, the DRS commissioner must remit the tax refund according to the hearing officer's decision or, if the decision is appealed to court, according to the court decision.

Any debts the taxpayer owes to the state take priority over the delinquent patient account, and tax refunds must be credited first against such debts.

The act requires the commissioners and UCHC's president to make an agreement to credit income tax refunds against a taxpayer's delinquent patient account. The agreement must include procedures (1) for UCHC to notify the DAS commissioner of delinquencies and delinquent amounts and (2) to reimburse DRS and DAS for their administrative costs in carrying out the bill.

§ 1 — DISCLOSURE OF CERTAIN TAX INFORMATION TO THE AUDITORS OF PUBLIC ACCOUNTS

The bill authorizes the DRS commissioner to disclose tax returns and return information (see BACKGROUND) to the state auditors for purposes of performing their auditing duties and reviewing whistleblower complaints.

Existing law authorizes the state auditors to examine state agency records and extends to the auditors any confidentiality requirements and penalties for violations that currently apply to agencies maintaining records of nongovernmental entities (CGS § 2-90(g) & (h)). By law, anyone who violates the law concerning unauthorized disclosures of tax information is subject to a fine of up to \$1,000, up to one year in prison, or both (CGS § 12-15(g)).

§§ 3 & 4 — CRDA AND STADIUM FUND AUDIT REQUIREMENT

The bill requires the state auditors to conduct biennial compliance audits, rather than annual financial audits, of the CRDA and Stadium Facility Enterprise Fund. It also eliminates a requirement that the auditors pay for the annual stadium audit.

Existing law requires CRDA to contract with an independent auditing firm to conduct an annual financial audit in accordance with generally accepted auditing standards.

BACKGROUND

Tax Returns and Return Information

By law, a “return” is any of the following filed with the DRS commissioner by, on behalf of, or with respect to, anyone: (1) a tax or information return; (2) an estimated tax declaration; (3) a refund claim; or (4) any license, permit, registration, or other application. The term also covers amendments or supplements, including supporting schedules, attachments, or lists that supplement or are part of a filed return.

“Return information” includes:

1. a taxpayer’s identity;
2. the nature, source, or amount of the taxpayer’s income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, tax under- or over-reportings, or tax payments; and
3. any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding a return or regarding any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or offense (CGS § 12-15 (h)(1) & (2)).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 49 Nay 1 (03/25/2014)